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SUBJECT: CEQ CHAIRMAN CONNAUGHTON TALKS CLIMATE CHANGE AND ENERGY
SECURITY WITH GOI

¶1. (U) Summary: On June 16, Chairman James Connaughton of the White House Council on Environmental Quality (CEQ) met with Dr. Kirit Parikh, Member, Planning Commission of India, and Ministry of Commerce Secretary G. K. Pillai to discuss key climate-change and energy-security issues ahead of the Major Economies Meeting to be held in South Korea from June 20 to 22 and the G8 Summit in Hokkaido, Japan, July 7 to 9. Chairman Connaughton was joined by Mr. Landon Van Dyke, the CEQ's Associate Director of International Affairs & Climate Change, as well as key Embassy representatives. End summary.

PARIKH FOCUSES ON PER-CAPITA PARADIGM FOR CARBON

¶2. (SBU) In his meeting with Dr. Parikh, Chairman Connaughton emphasized that the U.S. anticipates a strong national plan by India to improve energy efficiency and simply wants India and other major economies to reflect their national plans in an international agreement. Parikh responded that India has already committed to an international standard with the Prime Minister's pledge that India will not exceed the world's average per-capita carbon emissions, adding that reductions in emissions by developed countries will reduce the world average and consequently bring down India's benchmark.

¶3. (SBU) Connaughton then had to depart for his meeting with Secretary Pillai, but Parikh continued the dialogue with Mr. Van Dyke. Van Dyke briefed Parikh on the multifaceted U.S. plan to improve energy efficiency and reduce emissions, giving particular attention to the effort to move to second-generation biofuels, which are not made from food sources. Parikh asked a number of questions about the details of U.S. plans and about strategies for implementation and said that India is doing many of the same things.

¶4. (SBU) Parikh asserted that the U.S. and the European Union need to reduce carbon emissions by 80 percent by 2050 and that the U.S. should start reducing from tomorrow rather than projecting a peak in 2025 and reductions thereafter. He proposed what he called "the simplest solution"--worldwide, per-capita, tradable carbon credits, allocated retroactively from 1990 and out to 2050, so major emitters would be fully accountable. Van Dyke countered by explaining that

developing countries with very small populations might not have enough credits to cover even minimal energy production needed for development, nor the resources to buy credits from others.

¶15. (SBU) Parikh endorsed a graduated system in international commitments that would motivate the biggest emitters to reduce emissions and developing countries to stay below established thresholds. He also approved of the idea of facilitating trade in clean-energy technologies by reducing tariffs and other barriers, provided the market for such technologies is competitive enough to ensure reasonable pricing. He said India aims to improve energy efficiency by 20 percent by incorporating renewables, hydroelectric power, and other alternatives to fossil fuels, but he also said that India will continue to need large amounts of coal for the foreseeable future. He suggested that nuclear power could contribute 300 gigawatts in 2050 but is not likely to account for much of India's generation over the shorter term. Parikh qualified this assessment, however, by saying that if solar technologies become more fully developed, all of the numbers could change.

CONNAUGHTON MEETS WITH COMMERCE SECRETARY

¶16. (SBU) Separately, on June 16, CEQ Chairman Connaughton met with GOI Commerce Secretary G.K. Pillai to discuss the WTO Doha Round environmental goods discussions and the Leaders' Declaration at the Major Economies Meeting (MEM) to be held in conjunction with the G8.

¶17. (SBU) Secretary Pillai began by stating that he was "mildly optimistic" on prospects for a successful conclusion to the Doha

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Round. "Things are looking positive," he continued, "I expect discussions this week [June 16] to narrow gaps further." According to Pillai, differences could be narrowed even more the following week, culminating in a Ministerial in the first half of July. He only foresaw some difficulty with NAMA (Non-agricultural Market Access), "where the chair has made a mistake" in putting forth a text that increases the number of negotiating brackets.

¶18. (SBU) Turning to the Major Economies Leaders' Declaration, Chairman Connaughton noted that the U.S. was trying to move language forward. To come up with a strong statement, leaders should direct trade negotiators in Geneva in the WTO Committee on Trade and Environment in Special Session (CTESS) to conclude discussions on an agreed list of climate friendly technologies and make progress on the environmental goods proposal. The main concerns on the liberalizing proposals in CTESS have come from India, Brazil, and China. A clear statement from the leaders would also help fend off problematic proposals for trade-based measures against countries based upon carbon output. Noting that the list of goods and services will be a broad list of about 180 items, Connaughton pushed Pillai to look at finding some language for the MEM Leaders' Declaration. Pillai indicated that the GOI's concern is that the proposed list of products may consist of items that are "dual use," though it was evident he likely had not yet reviewed the proposed list.

¶19. (SBU) Pillai asked skeptically whether there would be a benefit in increased technology transfer from reducing tariffs on climate friendly items, noting that India had not seen as much tech transfer from trade and investment as it had hoped. Connaughton underlined that the thrust of the proposal was to unblock two way trade. The U.S. actually ran a trade deficit (\$18B in imports and \$15B in exports) in this area with countries with which it had agreed to greater market access, such as Canada and Japan. In fact, many items on the proposed list are not high-profit-margin technologies, and high tariffs only serve to block this potential trade. Many of the items play to India's strengths, Connaughton noted, citing the huge bilateral potential in more efficient motors and windmills as an example.

¶10. (SBU) Pillai said that the GOI favors a "project approach," which would grant tariff concessions to environmental goods to be used in specified projects. [Note: India's approach would

substitute unilateral import tariff preferences for imports for specific environmental projects in place of multilateral liberalization on an agreed list of environmental goods. End note.]

Connaughton replied that such a project approach simply represents the status quo and would not allow for long-term capital planning and the free flow of goods given all the bureaucracy involved. Pillai demurred, stating that there was not much tech transfer occurring, and questioning why there was not more FDI from the U.S. in India, "everyone else is coming to India - where is the U.S.?" He further expressed concern that reducing tariffs in this area would lead to a "one-way" street, stating that he was "not convinced that just making tariffs zero" would be useful. Pillai emphasized that there were some items on the proposed list that would be damaging to Indian industry which "needed protection" in these areas. He did not specify any item. Connaughton urged him to share his concerns and the list of sensitive goods with the USG.

¶11. (SBU) Returning to the larger Doha Round discussions, Pillai focused on Services as the most important potential benefit for India. Claiming that in Ag, India was not getting anything, and that in NAMA, India was taking deeper cuts than the U.S., Pillai said that the GOI did not understand the U.S. concern over Mode 4. He discussed the GOI's Mode 4 concerns at length, repeatedly underlining that it was an issue of trade in services and not immigration. Nevertheless, India was willing to be forward-leaning in Services discussions. "We can bind at 74 percent in telecom, and 100 percent in courier services," Pillai said, noting that FedEx and other express delivery companies already operated in India and provided many benefits.

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¶12. (SBU) In closing, Connaughton again pressed for a clear statement for the MEM Leaders' Declaration, which would have the benefit of also helping fend off trade-based measures on carbon. Pillai replied that "we'll work on it."

¶13. (U) The Connaughton delegation cleared this cable.

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